EAGLE NICE (INTERNATIONAL) HOLDINGS LIMITED
鷹美（國際）控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 02368)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 September 2019 increased by 28.1% to HK$1,892.0 million compared with HK$1,476.6 million for the corresponding period in 2018.
- Gross profit margin increased from 15.9% to 19.1% for the six months ended 30 September 2019 when compared with corresponding period in 2018.
- Profit attributable to owners of the Company was HK$159.1 million for the six months ended 30 September 2019, representing an increase of 57.3% compared to HK$101.1 million for the corresponding period in 2018.
- The Board resolves to declare an interim dividend of HK20 cents per share for the six months ended 30 September 2019 (2018: HK14 cents per share).

* *For identification purposes only*

The board of directors (the "Board") of Eagle Nice (International) Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2019 together with the comparative unaudited figures for the corresponding period in 2018 and the relevant explanatory notes.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

		Six months ended 30 September	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**1,891,994**	1,476,600
Cost of sales		**(1,530,022)**	(1,241,600)
Gross profit		**361,972**	235,000
Other income and gains, net	*4*	**10,952**	3,065
Selling and distribution expenses		**(20,799)**	(20,392)
Administrative expenses		**(127,752)**	(85,593)
Finance costs	*5*	**(10,119)**	(4,943)
PROFIT BEFORE TAX	*6*	**214,254**	127,137
Income tax expense	*7*	**(52,407)**	(26,015)
PROFIT FOR THE PERIOD		**161,847**	101,122
Attributable to:			
Owners of the Company		**159,082**	101,122
Non-controlling interests		**2,765**	-
		161,847	101,122
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*9*		
Basic		**HK29.90 cents**	HK20.24 cents
Diluted		**HK29.90 cents**	HK20.24 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**161,847**	101,122
OTHER COMPREHENSIVE EXPENSE:		
Other comprehensive expense that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(85,816)**	(75,630)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**76,031**	25,492
Attributable to:		
Owners of the Company	**74,526**	25,492
Non-controlling interests	**1,505**	-
	76,031	25,492

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

	Notes	As at 30 September 2019 (Unaudited) HK$'000	As at 31 March 2019 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**896,024**	924,268
Right-of-use assets		**142,324**	-
Prepaid land lease payments		**-**	130,270
Goodwill		**100,334**	100,334
Intangible assets		**14,810**	16,817
Deposits		**29,222**	35,271
		1,182,714	1,206,960
CURRENT ASSETS			
Inventories		**369,932**	501,901
Accounts and bills receivables	*10*	**543,501**	411,242
Prepayments, deposits and other receivables		**109,087**	96,515
Tax recoverable		**4,705**	7,503
Pledged deposits		**-**	15,204
Restricted bank balance		**-**	585
Cash and bank balances		**250,637**	193,834
		1,277,862	1,226,784
CURRENT LIABILITIES			
Accounts and bills payables	*11*	**276,529**	258,169
Accrued liabilities and other payables		**178,200**	187,589
Lease liabilities		**7,073**	-
Interest-bearing bank borrowings	*12*	**496,660**	572,155
Tax payable		**64,283**	37,308
		1,022,745	1,055,221
NET CURRENT ASSETS		**255,117**	171,563
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,437,831**	1,378,523

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 30 SEPTEMBER 2019

	Notes	As at 30 September 2019 (Unaudited) HK$'000	As at 31 March 2019 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities		**10,668**	-
Pension scheme obligation		**17,541**	14,321
Deferred tax liabilities		**40,744**	39,435
TOTAL NON-CURRENT LIABILITIES		**68,953**	53,756
		1,368,878	1,324,767
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*13*	**5,320**	5,320
Reserves		**1,341,366**	1,298,760
		1,346,686	1,304,080
Non-controlling interests		**22,192**	20,687
Total equity		**1,368,878**	1,324,767

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standards ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 March 2019.

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 March 2019, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) effective as of 1 April 2019, as detailed in note 2 below.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period's condensed consolidated interim financial statements:

HKFRS 16	*Leases*
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to HKFRS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

Other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised standards are not relevant to the preparation of the Group's condensed consolidated interim financial statements. The nature and impact of HKFRS 16 are described below:

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases — Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 April 2019, and the comparative information for 31 March 2019 was not restated and continues to be reported under HKAS 17.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components as a single lease component.

As a lessee - Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16
The Group has lease contracts for properties. As a lessee, the Group previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition
Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 April 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;

- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease;

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;

- Relied on the entity's assessment of whether leases were onerous by applying HKAS 37 immediately before 1 April 2019 as an alternative to performing an impairment review; and

- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

As a lessee - Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made by applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease.

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	Increase/ (decrease) (Unaudited) *HK$'000*
Assets	
Increase in right-of-use assets	157,038
Decrease in prepaid land lease payments	(130,270)
Decrease in prepayments, deposits and other receivables	(4,697)
Increase in total assets	22,071
Liabilities	
Increase in lease liabilities	22,071
Increase in total liabilities	22,071

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

	(Unaudited) *HK$'000*
Operating lease commitments as at 31 March 2019	**23,750**
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 March 2020	(297)
Gross lease liabilities as at 1 April 2019	23,453
Weighted average incremental borrowing rate as at 1 April 2019	2.35%
Discounted lease liabilities as at 1 April 2019	22,071

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 March 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 April 2019:

Right-of-use assets
Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

Lease liabilities
Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amounts recognised in the condensed consolidated statement of financial position and income statement

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follows:

	Right-of-use assets			Lease
	Land	**Buildings**	**Total**	**liabilities**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
As at 1 April 2019	134,217	22,821	157,038	22,071
Depreciation expense	(1,899)	(3,961)	(5,860)	-
Interest expense	-	-	-	234
Payment	-	-	-	(4,051)
Exchange realignment	(8,314)	(540)	(8,854)	(513)
As at 30 September 2019	124,004	18,320	142,324	17,741
Analysed for reporting purpose as:				
Non-current	124,004	18,320	142,324	10,668
Current	-	-	-	7,073
	124,004	18,320	142,324	17,741

The Group recognised rent expense from short-term leases and variable lease payments not based on index or rate of HK$192,000 for the six months ended 30 September 2019.

3. SEGMENT INFORMATION

The Group is solely engaged in manufacture and trading of sportswear and garments. For management purposes, the Group determines that there are five reportable operating segments, based on location of customers (the destination of sales), including Mainland China, USA, Europe, Japan and others. These segments are managed separately as each segment is subject to risks and returns that are different from each other.

The revenue and the result of each operating segment for the six month ended 30 September 2019 are as follows:

	Revenue Six months ended 30 September (Unaudited)		**Segment result Six months ended 30 September (Unaudited)**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China	**806,253**	447,571	**140,825**	62,256
USA	**503,601**	413,298	**100,660**	55,813
Europe	**313,542**	270,943	**37,181**	36,947
Japan	**58,335**	42,683	**8,399**	5,717
Others	**210,263**	302,105	**34,028**	40,130
	1,891,994	1,476,600	**321,093**	200,863
Other income and gains, net			**10,952**	3,065
Unallocated expenses			**(117,791)**	(76,791)
Profit before tax			**214,254**	127,137
Income tax expense			**(52,407)**	(26,015)
Profit for the period			**161,847**	101,122

4. REVENUE AND OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from contracts with customers	**1,891,994**	1,476,600

4. **REVENUE AND OTHER INCOME AND GAINS, NET (continued)**

An analysis of other income and gains, net is as follows:

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**729**	648
Income derived from financial assets at fair value through profit or loss	**322**	233
Government grants*	**8,064**	1,602
Others	**1,837**	582
	10,952	3,065

* There are no unfulfilled conditions or contingencies relating to these grants.

5. **FINANCE COSTS**

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans	**9,885**	4,943
Interest on lease liabilities	**234**	-
	10,119	4,943

6. **PROFIT BEFORE TAX**

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**43,019**	33,230
Depreciation of right-of-use assets	**5,860**	-
Amortisation of prepaid land lease payments	**-**	1,018
Amortisation of intangible assets	**2,007**	-
Loss on disposal of items of property, plant and equipment, net	**1,245**	-

7. INCOME TAX

Hong Kong profits tax for the six months ended 30 September 2019 has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax charge for the period:		
Hong Kong	**10,816**	13,084
Elsewhere	**38,280**	9,031
Deferred	**3,311**	3,900
Total tax charge for the period	**52,407**	26,015

8. INTERIM DIVIDEND

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim dividend declared of HK$0.20 per share (2018: HK$0.14 per share)	**106,400**	69,955

The Board resolved that an interim dividend of HK$0.20 per share for the six months ended 30 September 2019 to be paid to the shareholders whose names appear on the Company's register at the close of business on 5 December 2019. The interim dividend was declared after the period ended 30 September 2019, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of HK$159,082,000 (2018: HK$101,122,000) and 532,000,000 (2018: 499,680,000) ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 September 2019 and 2018 as the Group had no potentially dilutive ordinary shares in issue during those periods.

10. ACCOUNTS AND BILLS RECEIVABLES

The Group's accounts and bills receivables mainly relate to a few recognised and creditworthy customers. The credit period is generally for a period of 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are regularly reviewed by the management of the Group. The accounts and bills receivables are non-interest-bearing.

An aged analysis of the accounts and bills receivables as at the end of reporting period, based on the invoice date, is as follows:

	As at 30 September 2019 (Unaudited)	As at 31 March 2019 (Audited)
	HK$'000	*HK$'000*
Within 30 days	**408,957**	284,442
31 to 60 days	**108,533**	46,630
61 to 90 days	**9,663**	68,711
Over 90 days	**16,348**	11,459
	543,501	411,242

The above balances are neither past due nor impaired. They relate to customers for which there was no recent history of default.

11. ACCOUNTS AND BILLS PAYABLES

An aged analysis of the accounts and bills payables as at the end of reporting period, based on the invoice date, is as follows:

	As at 30 September 2019 (Unaudited)	As at 31 March 2019 (Audited)
	HK$'000	*HK$'000*
Within 90 days	**253,923**	237,916
91 to 180 days	**14,542**	519
181 to 365 days	**5,626**	19,084
Over 365 days	**2,438**	650
	276,529	258,169

The accounts and bills payables are non-interest-bearing and are normally settled on 45-day terms.

12. INTEREST-BEARING BANK BORROWINGS

	Effective Interest rate	Maturity	As at 30 September 2019	Effective Interest rate	Maturity	As at 31 March 2019
	%		**(Unaudited)**	*%*		(Audited)
			HK$'000			*HK$'000*
Current						
Bank loans	**2.47% to 2.77%**	**On demand**	**496,660**	2.04% to 3.28%	On demand	572,155

As at 30 September 2019, bank borrowings of HK$331,560,000 (31 March 2019: HK$442,550,000) were supported by corporate guarantees executed by the Company and certain subsidiaries of the Company.

As at 30 September 2019, HK$70,560,000 (31 March 2019: HK$127,955,000) of the bank borrowings were denominated in US$.

Based on the maturity terms of the bank borrowings, all the Group's bank borrowings as at 30 September 2019 and 31 March 2019 are repayable within one year.

13. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 13 November 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Signs of instability emerged in the global economy during 2019 as trade and investing activities fell short of expectations to augur ongoing economic slowdown amidst the lack of growth drivers. Growing trade barriers and escalating trade conflicts among nations gave rise to an increasingly complex international situation, while the pace of China's economic growth moderated, although its relative stability in development was maintained. The management believed the Group was able to overcome factors of instability and challenges in the international economic environment to report stellar growth in revenue and profit, and meet new development opportunities.

BUSINESS REVIEW

Multinational manufacturing platform

During the period under review, the Group worked closely with its customers in response to their requirements by turning its overseas factories into production bases for U.S. orders. The Group's production bases in Vietnam and Indonesia reported improvements in production efficiency and delivered sound results after introducing a higher percentage of mechanical production equipment and optimizing the production processes, while at the same time ensuring cost stability.

In view of the excess production capacity at the China domestic factories following the reassignment of U.S. orders to overseas production facilities, the Group has been actively developing new customers among middle-to-high-end domestic sporting brands to unveil new prospects in the market of China domestic branded products.

Sales to the U.S. market as a percentage of total revenue, following the reallocation of orders in view of China-U.S. trade conflicts, fell slightly from 28% for the corresponding period last year to 27% for the current period. On the other hand, the China domestic sales had nearly doubled, accounting for 43% of total revenue. The Group capitalised on opportunities amidst the crisis situation and flexibly deployed resources to increase the Group's overall competitiveness and earnings.

Contribution of newly-acquired factories

Last year, the Group acquired the production facilities located in Ho Chi Minh City of Vietnam and Hubei Province of China (the "New Acquisitions"). The New Acquisitions greatly increased the production capacity and introduced new China customers to the Group. It helped expanding the customer base and the sales volume in China, thus alleviating the impact on the U.S. exports orders for the Group's China factories due to Sino-US trade war. During the period, the New Acquisitions generated HK$590 million to the Group's sales. The synergy effect increased the Group's profit for the period, as well as injected new impetus to the productivity and profitability of the Group.

REVIEW OF FINANCIAL PERFORMANCE

Following a period of industry consolidation for the sportswear manufacturing sector over the years, only large scale enterprises managed to survive to date in the industry. Over the years, the Group continued to expand its production scale by establishing its own factories and acquiring production facilities in order to improve productivity, disperse production bases in different geographical locations and expand customer base, allowing the Group to tackle political and economic issues such as Sino-US trade war and the increase in production cost brought about by the domestic labour shortage. During the period under review, the Group managed to deliver outstanding results with record-breaking sales and profit despite the shadow of the trade war between China and the US.

The Group reported record-high total sales of HK$1,892.0 million for the period, representing an increase of 28.1% or HK$415.4 million for the period as compared to total sales of HK$1,476.6 million for the corresponding period last year. It was attributable to the significant expansion in production capacity following the New Acquisitions completed last year, which generated HK$590 million to the Group's sales during the period. During the period, gross profit increased by 54.0% to HK$362.0 million (2018: HK$235.0 million), while gross profit margin increased by 3.2% from 15.9% to 19.1%. The Group's profit before tax increased by 68.5% to HK$214.3 million (2018: HK$127.1 million), while profit margin before tax increased by 2.7% from 8.6% to 11.3%. Each of the Group's factories has its own merits and demerits in terms of its geographical location and production technology, the New Acquisitions assisted the Group to allocate the orders to the most suitable factory for production with more flexibility. The synergy effect allows factories of different areas to make good use of their respective production advantages, enhances the Group's productivity and lowers production cost. In addition, RMB continued to depreciate as a result of the Sino-US trade war, which further lowered the operating cost of the Group.

While the Group's sales increased by HK$415.4 million, there was only a slight increase in the Group's selling and distribution expenses by HK$0.4 million. It was primarily attributable to the bearing of the delivery charges for the period under review by the customers for the new sales generated by the Hubei production base which was acquired by the Group in the second half of last year. In addition, airfreight arising from the delay in the supply of raw materials by suppliers for the period under review decreased compared to the corresponding period last year. Administrative expenses increased by HK$42.2 million or 49.3%, which was mainly attributable to the additional expenses relating to the production facilities acquired last year, coupled with the increase in staff salaries on annual reviews and the recruitment of additional staff to cope with business growth and capacity expansion. In respect of finance cost, as the Group underwent capacity and business expansion through the New Acquisitions, after the New Acquisitions, resources had to be put in to renovate factories and purchase additional machineries for the improvement in production efficiency and meeting customers' compliance requirement. As a result, the Group's bank borrowing increased in response to the increasing capital demand, resulting in a significant increase in interest on bank loans by HK$4.9 million or 100.0% compared to the corresponding period last year. As for taxation, the Group's overall tax expenses for the period increased by HK$26.4 million or 101.4%, which was in line with the increase in the Group's profit. The effective tax rate for the period was 24.5%. It was 4.0% higher than the effective tax rate of 20.5% of the corresponding period last year, which was mainly attributable to the increase in the share of profit from regions subject to higher tax rates compared to the corresponding period last year.

Other income and gains amounted to HK$10.1 million (2018: HK$3.1 million), comprising mainly incentive subsidies granted by the PRC Government amounting to HK$8.1 million (2018: HK$1.6 million) and bank interest income of HK$0.7 million (2018: HK$0.6 million).

Profit attributable to owners of the Company amounted to HK$159.1 million for the six months ended 30 September 2019, representing a significant increase of 57.3% compared to HK$101.1 million for the same period last year. Net profit margin attributable to owners of the Company increased by 1.6% from 6.8% to 8.4%. Basic earnings per share attributable to owners of the Company for the period amounted to HK29.90 cents compared to HK20.24 cents for the same period last year. The Board proposed to recommend payment of an interim dividend of HK20 cents (2018: HK14 cents) per share.

OUTLOOK

Looking ahead, the business environment is expected to be more challenging than ever, as uncertainties continue to prevail in the global economy. Nevertheless, the Group holds cautious optimism for the future. On the back of its domestic and overseas production bases, professional management team with proven track records and strong financial conditions, the Group will be fully prepared to address any changes in the market.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group continued to maintain a healthy liquidity position. The Group generally finances its operations with internally generated resources and banking facilities. As at 30 September 2019, the Group had cash and cash equivalents amounting to HK$250.6 million (31 March 2019: HK$193.8 million) mainly denominated in Hong Kong dollars, Renminbi, US dollars, Indonesian Rupiah and Vietnamese Dong.

As at 30 September 2019, the Group's banking facilities of HK$880.7 million (31 March 2019: HK$818.8 million) were supported by the corporate guarantees of HK$747.4 million (31 March 2019: HK$685.3 million) executed by the Company and certain subsidiaries of the Company. As at 30 September 2019, an aggregate amount of the Group's banking facilities of HK$496.7 million (31 March 2019: HK$572.2 million) was utilised.

The management believes that the Group's existing financial resources will be sufficient to meet its existing operations as well as existing and future expansion plans and, if necessary, the Group will be able to obtain additional financing on favourable terms. There is no material effect of seasonality on the Group's borrowing requirements.

Gearing ratio of the Group is defined as net debt (represented by bank borrowings net of cash and bank balances) divided by the total equity. The Group's gearing ratio as at 30 September 2019 is 18.0% (31 March 2019: 28.6%).

FOREIGN EXCHANGE RISK MANAGEMENT

The Group has transactional currency exposures as substantial portion of sales or purchases are transacted in US dollars and RMB. The Group is exposed to foreign exchange risk mainly arising from such exposure to US dollars and RMB. Although the Group tries to maintain the balance of its sales and purchases in the same currency, as the foreign currency risks generated from the sales and purchases can only be partly set off with each other, financial instrument may be employed when necessary to manage the Group's exposure to the potential exchange rate risk.

The Group will continue to monitor its foreign exchange exposures and use appropriate tools to manage and minimize its foreign exchange risk.

MATERIAL ACQUISITION OR DISPOSAL

During the six months ended 30 September 2019, there was no material acquisition or disposal of subsidiary by the Group.

During the six months ended 30 September 2018, saved as the acquisition in Vietnam, details of which were disclosed in page 24 of 2018 interim report, there was no material acquisition or disposal of subsidiary by the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, the Group employed a total of approximately 13,500 employees including the directors of the Company (the "Directors") (31 March 2019: approximately 14,000).

The employees including the Directors are remunerated based on their working performance, professional experiences and the prevailing industry practice. The Group also makes contributions to the statutory mandatory provident fund scheme and defined contribution retirement benefits scheme for the employees of the Group in Hong Kong and to the pension scheme for the employees of the Group in China, Indonesia and Vietnam.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2019.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE OF THE LISTING RULES

In the opinion of the Directors, the Company has complied with the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2019, except for the deviations set out below:

Code Provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chung Yuk Sing, who has been the Chairman of the Board since 2002, was appointed as the chief executive officer of the Company with effect from 30 June 2013. Notwithstanding the aforesaid deviation, the Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group as the Board assumes collective responsibility on the decision-making process of the Company's business strategies and operation. The principal divisions of the Group's businesses are managed by different Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as the Company’s code of conduct for dealing in securities of the Company by the Directors. Based on specific enquiry of the Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30 September 2019.

AUDIT COMMITTEE

The audit Committee of the Company (the “Audit Committee”) consists of three independent non-executive Directors, namely Mr. Chan Cheuk Ho, Mr. Lu Chi Chant and Ms. Tham Kit Wan. The chairman of Audit Committee, Mr. Chan Cheuk Ho, has appropriate professional qualifications and experience in financial matters. The Audit Committee has reviewed with management the Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 September 2019, including the accounting principles adopted by the Group, risk management and internal controls.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK20 cents per share for the six months ended 30 September 2019 (2018: HK14 cents) to be payable to shareholders whose names appear on the register of members of the Company on Thursday, 5 December 2019. The interim dividend will be payable on Tuesday, 17 December 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 3 December 2019 to Thursday, 5 December 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement of the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars and transfer office in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 2 December 2019.

PUBLICATION OF INTERIM REPORT

This results announcement is published on the designated issuer website of Hong Kong Exchanges and Clearing Limited (http://www.hkex.com.hk) and the website of the Company (http://www.eaglenice.com.hk). The interim report containing the Group's financial statements and notes to the financial statements for the six months ended 30 September 2019 will be despatched to the shareholders of the Company and will be available on the aforesaid websites in due course.

On Behalf of the Board
Chung Yuk Sing
Executive Director

Hong Kong, 13 November 2019

As at the date of this announcement, the Board comprises six executive directors, namely, Mr. Chung Yuk Sing, Mr. Chen Hsiao Ying, Mr. Huang Yongbiao, Ms. Chen Fang Mei, Christina, Mr. Hu Dien Chien and Mr. Lee Cheng Chuan and three independent non-executive directors, namely, Mr. Chan Cheuk Ho, Mr. Lu Chi Chant and Ms. Tham Kit Wan.